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CPEC the innovation primary of Pakistan's future

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Abstract. Currently government of Pakistan is planning to implement post infrastructure CPEC projects. This paper gives a comprehensive guideline to implement CPEC projects especially that relate to Special Economic Zones through developing local industrial clusters while also developing human capital by investing in technical training of populations that reside in peripheries of these Economic Zones. This way Pakistan can become part of Chinese value chain much like Vietnam and new era of local innovation takes place.

Keywords. Innovation, CPEC, Pakistan.

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1. Introduction: Cluster Development through CPEC

Recent research in Harvard Business School by the team of economists lead by Professor Michael Porter ([Huggins & Izushi, 2011](#)) has summarized the future trajectory of innovation and business productivity for US firms. According to the arguments, businesses unite and evolve within geographical clusters and these businesses are both inter industry and intra industry in nature. These geographical clusters can be local, regional, national and international. For example within US the innovation of world wide web translated into social media revolution through digital applications like facebook, google and retail brands like Amazon that all have started in California popularly referred to as Silicon Valley and the foot print of digital innovation created manufacturing and technological initiatives like SPACE X and TESLA in times when NASA and US government was reducing their financial support to Space travel and also there was a slump in sales of US automobile industry. The international cluster development happen is different geographical locations tied up with efficiency in international trading agreements as was in case of multi billion dollars worth of China and US trade that facilitated international businesses of US origin to invest in low end and high end manufacturing in China through providing special economic zones, right over private property, financial services, infrastructure development and skills to the local businesses to enter into partnerships with US firms. China became an integral part of international technology cluster through integrating its commercial stakes with US by becoming an integral part of the value chains of US businesses. It took nearly 2 decades of cluster formation and development between US and Chinese firms whereby China

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now stands as the second largest economy of the globe and the largest competitor to US markets. The clusters of innovation development have increased the economic, social and political ties of Asia with that of the Western countries encouraging China to opt for Belt Road Initiative further connecting Asia with Europe and the world.

The Belt Road Initiative is an inclusive economic and industrial plan for Asia, whereby a part of it is currently being implemented in Pakistan with the name of China Pakistan Economic Corridor. The agreements between both Pakistani and Chinese governments over the last three years have seen many investments by Chinese financial and industrial subsidiaries to initiate infrastructure and energy sector programs in Pakistan. This shall give Pakistan access to a billion people strong Chinese markets in the same way Vietnam has been benefitting from becoming part of Chinese value chain.

The cluster development argument suggests that infrastructure is necessary but the sufficient condition to innovation future of Pakistan's industrial sector would happen through Special Economic Zones. These economic zones would be located within local or regional clusters though integrated at national and international level because other countries like Germany and Kingdom of Saudi Arabia have also shown their interest to be part of economic landscape that is to be provided by Industrial Zones within CPEC.

However, the Pakistani government has to device a scientific and thorough plan to involve Pakistani businesses within these economic zones and direct some of indigenous technical innovation towards guided local cluster development within various provinces of Pakistan exploiting local know how to make out a local context within economic and social benefit of these clusters. For example, small manufacturing industries should already be incentivized that involve small engineering and software development for digital or real services. Pakistan can specialize in small scale chip manufacturing and become part of the Chinese mobile phone development industry while also developing indigenous base for high technology manufacturing industries.

This is a similar experience of technical and technological trajectories that are evident when Chinese and Pakistani defense cooperation helped Pakistan to greatly enhance its Military Industrial Complex that lead to manufacturing of JF 70 Thunder aircrafts. The aeronautical niche through cooperation between Chinese and Pakistani defense cluster enabled Pakistan to become the exporter of aeronautical equipment to countries in Africa and Middle East.

Since CPEC is to be implemented in Pakistan, only financed by China, there is a need to identify and guide national priorities within CPEC projects and plans. The FTA with China brings about a lesson that Pakistani businesses cannot compete with Chinese ones. In the mean while and despite a lot of rhetoric from successive governments the steps towards improving industrial competitiveness is missing in public policy discourse.

D. Mamoon, JEB, 6(2), 2019, p.110-113.

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This needs to be rectified to make CPEC a success and engine of innovation in Pakistan. Detailed feasibility of Industrial Business Activity needs to be undertaken to understand and promote local business niche aligned with local skill sets of the population. That may also mean planning and changing urban development thinking that caters to the needs of its dwellers concentrating on social sector development by building health and educational facilities for unskilled and semi skilled populations. The resources for social sector development for areas surrounding Special Economic Zones can come from Donors or public private partnerships or may be generated from private sector investments directed towards social sector as a matter of their Corporate Social Responsibility profiles.

References

Huggins, R., & Izushi, H. (2011). *Competition, Competitive Advantage and Clusters: The Ideas of Michael Porter* Oxford University Press.